

Central Kentucky Agricultural Credit Association



640 South Broadway ♦ Post Office Box 1290 ♦ Lexington, KY 40588-1290 ♦ 859/253-3249

June 18, 2014

Mr. Barry F. Mardock
Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Dear Mr. Mardock:

Thank you for the opportunity to comment on FCA's recent proposed rule regarding Standards of Conduct ("SOC"). As Standards of Conduct Officer for Central Kentucky Agricultural Credit Association, I am personally committed to maintaining high standards of conduct, and I know my association is as well. However, I am concerned that many of the Proposed Regulations are too broad and administratively burdensome. The Proposed Regulations could potentially limit the pool of directors with significant operations who may be willing to bring their expertise to the boards of System institutions and the pool of professional services providers who may be willing to transact business with System institutions. My comments below focus on the impact of the Proposed Regulations on small institutions. However, I also support the comments submitted by AgFirst Farm Credit Bank and the Farm Credit Council regarding other important concerns not addressed in this letter.

For many entities, and particularly for small associations, the substantial increased resources required to oversee a SOC program under the Proposed Regulations will impact the resources available to provide the services that the System was created to address. As a front line Standards of Conduct Officer, I can envision the adverse impact of the proposed level of transaction disclosure and monitoring on that role, as well as the directors, officers, employees and agents.

Additionally, the proposed rule on standards of conduct contains following statement:

III. Regulatory Flexibility Act

Pursuant to section 605(b) of the Regulatory Flexibility Act (5 U.S.C. 601 et seq.), the FCA hereby certifies that the proposed rule would not have a significant economic impact on a substantial number of small entities. Each of the banks in the Farm Credit System, ***considered together with its affiliated associations***, has assets and annual income in excess of the amounts that would qualify them as small entities. Therefore, Farm Credit System institutions are not "small entities" as defined in the Regulatory Flexibility Act. (emphasis added)

It occurs to me, as an officer of an institution with under \$500 million in assets, that our regulatory compliance is considered independent of our funding farm credit bank and its affiliated associations. We are not permitted to upstream compliance to our funding bank or defer to any "affiliate". So, I do not understand why the Agency claims exemption from the key requirement of the Regulatory Flexibility Act ("RFA"): to analyze the impact of their regulatory actions on small entities and, where the regulatory

impact is likely to be "significant", affecting a "substantial number" of these small entities, seek less burdensome alternatives for them.

The monitoring and reporting requirements associated with the proposed standards of conduct regulations would seem to be a situation where the impact of regulatory actions could be significant to smaller Farm Credit institutions. Small financial institutions, including Farm Credit institutions, are disappearing each year. Regulatory burden is often cited as one of the reasons for this trend and concern over that very result appears to be the reason the RFA was enacted in the first place.

In summary, we respectfully ask that the FCA consider these and other System institution comments to revise the Proposed Regulations to reduce unnecessary administrative burdens and clarify responsibilities so that we are not hindered in the advancement of the mission of the Farm Credit System to provide financing to our rural and agricultural communities. Furthermore, I urge reconsideration of the exemption to the RFA as the rationale stated is not consistent with the actual practice.

Thank you for your consideration.

Sincerely,



Jim Caldwell
President and
Chief Executive Officer